

*South Haven Regional Airport Authority*  
*Van Buren County, Michigan*  
**FINANCIAL STATEMENTS AND  
INDEPENDENT AUDITORS' REPORT**  
*Year ended June 30, 2008*

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## INDEPENDENT AUDITORS' REPORT

**Members of the Board  
South Haven Regional Airport Authority**

We have audited the accompanying financial statements of the governmental activities and the major fund of the South Haven Regional Airport Authority as of and for the year ended June 30, 2008, which collectively comprise the Authority's basic financial statements as listed in the contents. These financial statements are the responsibility of the Authority's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the major fund of the South Haven Regional Airport Authority as of June 30, 2008, and the respective changes in financial position for the year then ended, in conformity with U.S. generally accepted accounting principles.

The budgetary comparison information, on page 9, is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it. The South Haven Regional Airport Authority has not presented the management's discussion and analysis that the Governmental Accounting Standards Board has determined is necessary to supplement, although not required to be a part of, the basic financial statements.

*Siegfried Crandall P.C.*

October 17, 2008

## **BASIC FINANCIAL STATEMENTS**

**South Haven Regional Airport Authority**

**STATEMENT OF NET ASSETS AND GOVERNMENTAL FUND BALANCE SHEET**

June 30, 2008

	<u>Operating Fund</u>	<u>Adjustments</u>	<u>Statement of net assets</u>
<b>ASSETS</b>			
Current assets:			
Cash	\$ 585,207	\$ -	\$ 585,207
Accounts receivable, net	139,428	-	139,428
Inventory	20,466	-	20,466
Prepaid expense	<u>9,718</u>	<u>-</u>	<u>9,718</u>
Total current assets	<u>754,819</u>	<u>-</u>	<u>754,819</u>
Non-current assets:			
Capital assets not being depreciated	-	314,188	314,188
Capital assets, net of accumulated depreciation	<u>-</u>	<u>3,849,366</u>	<u>3,849,366</u>
Total non-current assets	<u>-</u>	<u>4,163,554</u>	<u>4,163,554</u>
Total assets	<u>\$ 754,819</u>	<u>\$ 4,163,554</u>	<u>4,918,373</u>
<b>LIABILITIES</b>			
Current liabilities - accounts payable	\$ 2,574	\$ -	2,574
<b>FUND BALANCE/NET ASSETS</b>			
Fund balance - unreserved, undesignated	<u>752,245</u>	<u>(752,245)</u>	<u>-</u>
Total liabilities and fund balance	<u>\$ 754,819</u>	<u>\$ (752,245)</u>	<u>2,574</u>
Net assets:			
Investment in capital assets		4,163,554	4,163,554
Unrestricted		<u>752,245</u>	<u>752,245</u>
Total net assets		<u>\$ 4,915,799</u>	<u>\$ 4,915,799</u>
<b>Total fund balance</b>			<b>\$ 752,245</b>
Amounts reported for <i>governmental activities</i> in the statement of net assets are different because:			
Capital assets are not financial resources and, therefore, not reported in the fund			<u>4,163,554</u>
<b>Total net assets</b>			<b><u>\$ 4,915,799</u></b>

See notes to financial statements

**South Haven Regional Airport Authority****STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN  
FUND BALANCE/STATEMENT OF ACTIVITIES***Year ended June 30, 2008*

	<u>Operating Fund</u>	<u>Adjustments</u>	<u>Statement of activities</u>
<b>EXPENDITURES/EXPENSES</b>			
Public works	\$ 320,635	\$ 122,666	\$ 443,301
Capital outlay	17,544	(17,544)	-
Total expenditures/expenses	<u>338,179</u>	<u>105,122</u>	<u>443,301</u>
<b>PROGRAM REVENUES</b>			
Intergovernmental:			
Operations	255,563	-	255,563
Capital	-	31,172	31,172
Charges for services	128,552	-	128,552
Rentals	68,665	-	68,665
Other	173	-	173
Total program revenues	<u>452,953</u>	<u>31,172</u>	<u>484,125</u>
<b>NET PROGRAM REVENUES</b>	<u>114,774</u>	<u>(73,950)</u>	<u>40,824</u>
<b>GENERAL REVENUES</b>			
Interest	<u>14,701</u>	<u>-</u>	<u>14,701</u>
<b>NET CHANGE IN FUND BALANCE/NET ASSETS</b>	129,475	(73,950)	55,525
<b>FUND BALANCE/NET ASSETS - BEGINNING</b>	<u>622,770</u>	<u>4,237,504</u>	<u>4,860,274</u>
<b>FUND BALANCE/NET ASSETS - ENDING</b>	<u>\$ 752,245</u>	<u>\$ 4,163,554</u>	<u>\$ 4,915,799</u>
Net change in fund balance			\$ 129,475
Amounts reported in the statement of activities are different because:			
Capital assets:			
Assets acquired, including capital grants of \$31,172			48,260
Provision for depreciation			<u>(122,210)</u>
Change in net assets			<u>\$ 55,525</u>

*See notes to financial statements*

**South Haven Regional Airport Authority**  
**NOTES TO FINANCIAL STATEMENTS**

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**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:**

The accounting policies of the South Haven Regional Airport Authority (the Authority) conform to U.S. generally accepted accounting principles (hereinafter referred to as generally accepted accounting principles) as applicable to governments. The following is a summary of the more significant policies:

*a) Reporting entity:*

In accordance with generally accepted accounting principles and Governmental Accounting Standards Board (GASB) Statement No. 14, *The Financial Reporting Entity*, these financial statements present the Authority established by Casco Township, City of Bangor, City of South Haven, Covert Township, Geneva Township, and South Haven Township. The criteria established by the GASB for determining the reporting entity includes oversight responsibility, fiscal dependency, and whether the financial statements would be misleading if data were not included. The Authority has determined that no other outside agency meets the above criteria and, therefore, no other agency has been included as a blended or discretely-presented component unit in the Authority's financial statements.

The City of South Haven has transferred ownership of the South Haven Municipal Airport and all airport facilities owned by the City to the Authority. In the event the Authority ceases to exist, or if the land and other assets are no longer used in airport operations, title to all properties shall revert to the City of South Haven.

*b) Basis of accounting:*

The statement of net assets and the statement of activities are reported using the economic resources, measurement focus, and the accrual basis of accounting. Revenue is recorded when earned and expenses when a liability is incurred, regardless of timing of related cash flows. Grants and similar items are recognized as revenue as soon as all the eligibility requirements imposed by provider have been met.

The Operating Fund financial statements are reported using the current financial resources, measurement focus, and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available if they are collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Authority generally considers revenues to be available if they are expected to be collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting.

*c) Assets and liabilities:*

i) *Bank deposits* - Cash is considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition. Investments are stated at fair value.

ii) *Capital assets* - Capital assets, which include land, runways, buildings, equipment, and vehicles, are defined by the Authority as assets with an initial cost of more than \$1,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

**South Haven Regional Airport Authority**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**

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**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):**

*c) Assets and liabilities (continued):*

- ii) Capital assets (continued)* - Capital assets are depreciated using the straight-line method over the following estimated useful lives:

Airport facility	40 - 50 years
Runways and improvements	40 - 50 years
Equipment	10 - 20 years
Vehicles	5 - 10 years

**NOTE 2 - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY:**

Budgetary information - The budget is adopted on a basis consistent with generally accepted accounting principles for all governmental funds. The budget document presents information by function, department, and line items. The legal level of budgetary control adopted by the governing body is the functional level. Amounts encumbered for purchase orders, contracts, etc., are tracked during the year. Budget appropriations are considered to be spent once the goods are delivered or the services rendered.

The following schedule sets forth significant budget variations:

<u>Function</u>	<u>Amended budget</u>	<u>Actual</u>	<u>Variance</u>
Public works	\$ 282,814	\$ 320,635	\$ 37,821

**NOTE 3 - CASH:**

State statutes and the Authority's investment policy authorize the Authority to make deposits in the accounts of federally-insured banks, credit unions, and savings and loan associations that have an office in Michigan. The Authority's deposits are in accordance with statutory authority.

Custodial credit risk is the risk that, in the event of the failure of a financial institution, the Authority will not be able to recover its deposits. Deposits are exposed to custodial credit risk if they are not covered by federal depository insurance and are uncollateralized. At June 30, 2008, \$494,877 of the Authority's bank balances of \$594,877 was exposed to custodial credit risk because it was uninsured.

The Authority believes that it is impractical to insure all bank deposits due to the amounts of the deposits and the limits of FDIC insurance. As a result, the Authority evaluates each financial institution with which it deposits funds and assesses the risk level of each institution. Only the institutions with an acceptable estimated risk level are used as depositories.



**South Haven Regional Airport Authority**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**

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**NOTE 4 - RECEIVABLES:**

Receivables as of year end for the Authority's operating fund are as follows:

Accounts	\$ 31,311
Intergovernmental	<u>108,117</u>
	<u>\$ 139,428</u>

All receivables are fully collectible and due within one year.

**NOTE 5 - CAPITAL ASSETS:**

Capital asset activity of the Authority for the current year was as follows:

	<i><u>Beginning balance</u></i>	<i><u>Increases</u></i>	<i><u>Decreases</u></i>	<i><u>Ending balance</u></i>
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 223,880	\$ -	\$ -	\$ 223,880
Construction in progress	<u>54,448</u>	<u>35,860</u>	<u>-</u>	<u>90,308</u>
Total capital assets not being depreciated	<u>\$ 278,328</u>	<u>\$ 35,860</u>	<u>\$ -</u>	<u>\$ 314,188</u>
Capital assets being depreciated:				
Buildings	749,523	-	-	749,523
Runways and improvements	4,089,560	-	-	4,089,560
Equipment	158,719	12,400	-	171,119
Vehicles	<u>35,000</u>	<u>-</u>	<u>-</u>	<u>35,000</u>
Subtotal	<u>5,032,802</u>	<u>12,400</u>	<u>-</u>	<u>5,045,202</u>
Less accumulated depreciation for:				
Buildings	(180,669)	(15,533)	-	(196,202)
Runways and improvements	(806,906)	(95,650)	-	(902,556)
Equipment	(64,526)	(7,877)	-	(72,403)
Vehicles	<u>(21,525)</u>	<u>(3,150)</u>	<u>-</u>	<u>(24,675)</u>
Subtotal	<u>(1,073,626)</u>	<u>(122,210)</u>	<u>-</u>	<u>(1,195,836)</u>
Total capital assets being depreciated, net	<u>3,959,176</u>	<u>(109,810)</u>	<u>-</u>	<u>3,849,366</u>
Governmental activities capital assets, net	<u>\$ 4,237,504</u>	<u>\$ (73,950)</u>	<u>\$ -</u>	<u>\$ 4,163,554</u>

***South Haven Regional Airport Authority***  
**NOTES TO FINANCIAL STATEMENTS (Continued)**

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**NOTE 6 - RISK MANAGEMENT:**

The Authority is exposed to various risks of loss related to torts, theft of, damage to, and destruction of, assets, errors and omissions, injuries to employees, and natural disasters. The Authority carries commercial insurance for the above risks of loss. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal periods.

## REQUIRED SUPPLEMENTARY INFORMATION

**South Haven Regional Airport Authority**  
**BUDGETARY COMPARISON SCHEDULE - Operating Fund**  
Year ended June 30, 2008

	<u>Original and amended budget</u>	<u>Actual</u>	<u>Variance favorable (unfavorable)</u>
<b>REVENUES</b>			
Intergovernmental	\$ 252,612	\$ 255,563	\$ 2,951
Charges for services	111,184	128,552	17,368
Interest and rentals	78,204	83,366	5,162
Other	<u>2,500</u>	<u>173</u>	<u>(2,327)</u>
Total revenues	<u>444,500</u>	<u>467,654</u>	<u>23,154</u>
<b>EXPENDITURES</b>			
Public works:			
Cost of sales	111,917	112,166	(249)
Payroll and taxes	69,729	71,857	(2,128)
Operating supplies and expenses	17,098	16,186	912
Repairs and maintenance	50,740	74,367	(23,627)
Professional services	10,500	21,184	(10,684)
Utilities	10,500	12,932	(2,432)
Insurance	<u>12,330</u>	<u>11,943</u>	<u>387</u>
Total public works	282,814	320,635	(37,821)
Capital outlay	<u>50,100</u>	<u>17,544</u>	<u>32,556</u>
Total expenditures	<u>332,914</u>	<u>338,179</u>	<u>(5,265)</u>
<b>NET CHANGES IN FUND BALANCE</b>	111,586	129,475	17,889
<b>FUND BALANCE - BEGINNING</b>	<u>622,770</u>	<u>622,770</u>	<u>-</u>
<b>FUND BALANCE - ENDING</b>	<u>\$ 734,356</u>	<u>\$ 752,245</u>	<u>\$ 17,889</u>

October 17, 2008

**Members of the Board  
South Haven Regional Airport Authority**

**We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the South Haven Regional Airport Authority for the year ended June 30, 2008, and have issued our report thereon dated October 17, 2008. Professional standards require that we provide you with the following information related to our audit.**

***Our Responsibility under U.S. Generally Accepted Auditing Standards***

**As stated in our engagement letter dated July 2, 2008, our responsibility, as described by professional standards, is to plan and perform our audit to obtain reasonable, but not absolute, assurance that the financial statements are free of material misstatement and are fairly presented in accordance with U.S. generally accepted accounting principles. Our audit of the financial statements does not relieve you or management of your responsibilities.**

***Qualitative Aspects of Accounting Practices***

**Management is responsible for the selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by South Haven Regional Airport Authority are described in Note 1 to the financial statements. No new accounting policies were adopted, and the application of existing policies was not changed during 2008. We noted no transactions entered into by the Authority during the year for which there is a lack of authoritative guidance or consensus. There are no significant transactions that have been recognized in the financial statements in a different period than when the transaction occurred.**

**Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimate affecting the financial statements was capital asset depreciation.**

**Management's estimate of the capital asset depreciation is based on the estimated useful lives of the Authority's capital assets. We evaluated the key factors and assumptions used to develop the capital asset depreciation in determining that it is reasonable in relation to the financial statements taken as a whole.**

The disclosures in the financial statements are neutral, consistent, and clear.

*Audit Adjustments*

For purposes of this letter, professional standards define an audit adjustment as a proposed correction of the financial statements that, in our judgment, may not have been detected except through our auditing procedures. Management has recorded all of our proposed audit adjustments.

*Disagreements with Management*

For purposes of this letter, professional standards define a disagreement with management as a matter, whether or not resolved to our satisfaction, concerning a financial accounting, reporting, or auditing matter that could be significant to the financial statements or the auditors' report. We are pleased to report that no such disagreements arose during the course of our audit.

*Management Representations*

We have requested certain representations from management that are included in the management representation letter associated with the audits for the year ended June 30, 2008.

*Other Issues*

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Authority's auditors. However, these discussions occurred in the normal course of our professional relationship, and our responses were not a condition to our retention.

*Difficulties Encountered in Performing the Audit*

We encountered no significant difficulties in dealing with management in performing and completing our audit.

*Communication Regarding Internal Control*

In planning and performing our audit of the financial statements of the Authority as of and for the year ended June 30, 2008, in accordance with auditing standards generally accepted in the United States of America, we considered the Authority's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control. Our consideration of internal control included procedures to evaluate the design of controls relevant to an audit of financial statements and to determine whether they have been implemented, but it did not include procedures to test the operating effectiveness of controls and, accordingly, was not directed to discovering significant deficiencies in internal control. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. However, as discussed below, we identified a deficiency in internal control that we consider to be a material weakness.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

The Authority has not implemented a system of controls to prepare financial statements in accordance with U.S. generally accepted accounting principles, including procedures to achieve the objectives of the capitalization and depreciation of capital assets, and the presentation of financial statement disclosures. This is a recurring comment. The Authority has determined that the additional benefits derived from implementing such a system would not outweigh the costs incurred to do so.

This communication is intended solely for the information and use of the Board of Trustees of the Authority and the State of Michigan Department of Treasury and is not intended to be and should not be used by anyone other than these specified parties.

*Sigfried Crandall A.C.*